

Ritz, Mike

From: Swift, Mike
To: Ritz, Mike
Cc: Huntzicker, James
Subject: FY2006 Audit
Attachments:

Sent: Mon 6/30/2008 11:09 AM

In response to your request for an update of the status of management letter comments from the FY2006 Audit, some progress has been made. As noted in my September 7, 2007 letter to Commissioner Chism, the separation of duties comments relate to the size of these offices and the auditors indicated these were not significant concerns. The following addresses the other comments:

1. The Chancery Court Clerk hired a CPA this year and has indicated that they will have their reconciliation problem corrected as of June 30, 2008.
2. Circuit Court Clerk posting of interest has been corrected.
3. General Sessions Court Clerk-Civil Division systems issues have been extensively worked. First we had the auditors work with the Clerk and some progress was made to determine the amounts of differences and the change in these from month to month have been small. This isolates the primary problem as being the initial loading of data about six years ago. We now have Information Technologies working with the Clerk to thoroughly review both the initial data and the current process to fully resolve these issues. To finish this is still a fairly major task but we expect to have this fully resolved during fiscal 2009.
4. Juvenile Court Clerk – the State has asked the Juvenile Court Clerk to continue to hold the unpaid Child Support payments and work on locating these individuals. This is not a control issue and since the State asked us to do it, we do not consider this a problem.
5. Probate Court Clerk – The Clerk has informed me that these items have been corrected.
6. Shelby County Clerk – this item has been corrected.
7. Fire Services Division – this item has been corrected.
8. Shelby County Trustee paying their own operating expenses is in violation of State statutes per the State Auditors. The Trustee continues to pay their operating expenses.
9. Shelby County Single Audit – this issue has been corrected.

I have asked our auditors to verify the status of all management letter comments as they start their work this summer and if any have not been corrected to provide clear recommendations so that we can readily work with each office to take corrective actions.



Shelby County Government

A C Wharton, Jr.
Mayor

September 7, 2007

To Commissioner Chism, Audit Committee Chairman
Shelby County Board of Commissioners

We have worked with our auditors and the elected officials to address all of the Management Letter comments for the year ended June 30, 2006. The auditors have verified that most of the items have been corrected or at least substantial progress is being made. The auditors are working with each elected official that had a comment regarding segregation of duties and they believe all of these issues will be resolved. There is a possibility that some comments may have to be repeated because of when corrective actions were finalized but they will be able to say that the corrective actions have been done.

The following comments will probably have to be repeated for fiscal 2007:

1. Chancery Court Clerk:

Item #1, Page 1 – Certain funds held for others, which total approximately \$4,000,000, are not being reconciled to the general ledger. This was a finding at June 30, 2005 and 2004.

We have met with the Chancery Court Clerk regarding this comment and they are working towards solutions. However, they have not been able to take corrective actions in fiscal 2007 to eliminate all of the comments.

2. General Sessions Court Clerk:

Item #1, Page 3 – The General Sessions Court Clerk, Civil Division utilizes a general ledger system and multiple other software packages to perform various functions of the Clerk's office. Due to the complexity of the general ledger system and types of multiple software packages, there is an inability to integrate an efficient transfer of information between software, and thus create completely reliable reports. In addition, due to the nature of the systems, we noted instances of transactions that were not recorded or were recorded incorrectly. This was also a finding at June 30, 2005 and 2004.

Item #2, Page 4 – Judgments cannot be reconciled to the general ledger due to software conversions in prior years and the complexity of the general ledger and different types of software packages mentioned in item #1. This was also a comment at June 30, 2005.

These two items are related and substantial progress has been made towards resolving these. They hope to have resolved the issues before the fiscal 2007 Management Letter is issued but the comments will still be applicable to the fiscal 2007 year.

3. Trustee:

Item #1, Page 9 – The State of Tennessee Division of County Audit has asserted that operating expenditures paid from the Trustee's commission account are in violation of State statute according to the provisions of Section 8-22-104(a)(3), Tennessee Code Annotated (TCA). They also assert that a Shelby County Commission resolution passed on June 3, 1991 provides that the Trustee's purchases should be made through Shelby County's centralized purchasing system.

There has been no change in this matter. We believe Commission action will be necessary to this matter.

If you need any additional information, please let us know.

Sincerely,



Michael A. Swift, Deputy Director
Division of Administration and Finance

cc: Commissioner Lillard, Chairman